

Appendix B

Note: The following is an excerpt from the FY03 VA Enrollee Health Care Projection Model Report.

Section III

FY03 Enrollment Decision

Development of GMT Priority Level 7/8 Enrollment Splits

The FY03 Enrollment Decision required that the current Priority Level 7a and 7c veterans be reclassified as Priority Level 7a, 7c, 8a and 8c based on a geographic means test. Those veterans who are reclassified as Priority Level 8a and 8c will not longer be allowed to enroll in the VA health care system after January 17, 2003. For ease in describing the methodologies used to estimate these new Priority Levels, the following nomenclature will be used in this section. Veterans and enrollees classified as Priority Level 7a or 7c prior to the geographic means test (GMT) requirement will be referred to as P7a and P7c. After January 17, 2003, P7a veterans and enrollees will be reclassified as GMT P7a or GMT P8a and P7c veterans and enrollees will be reclassified as GMT P7c or GMT P8c.

Comprehensive means test information was not available on the master enrollment file. Consequently, the 2002 Survey of Veteran Enrollees (Survey) was used in order to estimate the percentage of P7 (P7a and P7c) enrollees that would become GMT P7 and GMT P8 (GMT P7a, GMT P7c, GMT P8a and GMT P8c) enrollees. This survey included a question regarding the enrollee's income level in calendar year 2001. The Survey has a 75%-80% answer rate to the income question with about 10,000 usable responses for P7 enrollees. This sample is assumed to be relatively unbiased. Responses to the income question were recorded in \$10,000 income ranges for income levels of concern to this analysis.

The GMT is based on thresholds that vary by each county in the nation. The Department of Housing and Urban Development (HUD) establishes a low-income limit for each county in the nation. The GMT is based on the HUD Low (80%) Income Limit for two persons. This analysis used the HUD income limits for fiscal year 2001 since the survey responses to the income

question are for calendar year 2001. A surveyed P7a or P7c enrollee is considered to qualify for GMT P7a or GMT P7c, respectively, if their self-reported income for calendar year 2001 is less than the HUD Low (80%) Income Limit for two persons for their county of residence.

The GMT threshold varies greatly by county. This threshold varies in 2000 from less than \$16,000 (annual income) in Puerto Rico, to greater than \$45,000 in five counties. The VA means test threshold (used to determine qualification for Priority Level 5) for the same period was \$28,429, regardless of place of residence. Approximately two-thirds of the counties in the nation had a GMT threshold below the national VA means test threshold. In these counties, GMT P7 veterans will be rare. Some veterans may not qualify for Priority Level 5 because of assets, and thus be eligible GMT P7 (which does not have an asset test), but the effect of this is assumed to be minor.

Consequently, it was determined that it would be inappropriate to model GMT P7 veterans in counties where the GMT threshold was below the VA means test threshold.

For this discussion, GMT Eligible Counties are defined as counties where the 2000 GMT threshold exceeds the 2000 VA means test threshold. The thresholds for 2000 are used in determining GMT eligible counties since the enrollment data used to develop the enrollment projections for the CARES projections includes Priority Level data that was presumably established using the VA means test threshold for 2000. Therefore, P7 enrollees were assumed to have household incomes that exceeded the 2000 VA means test income threshold (\$28,429 for enrollees with 1 dependent).

The Survey was used to estimate the proportion of P7 enrollees who qualify for GMT P7. Surveyed veteran enrollees were determined to qualify if they lived in a GMT Eligible County and their self-reported income on the Survey was below the GMT threshold for their county of residence. When self-reported income was in a range that contained the GMT threshold, it was assumed that the enrollee had a probability of qualifying for GMT P7 equal to the portion of the range that was below the GMT threshold.

The Survey was stratified by VISN and by enrollee age group (Under Age 60, Ages 60 to 69, and Ages 70 and Over). Only surveys in GMT Eligible Counties were included. The proportion of enrollees qualifying for GMT P7 was calculated for each stratified cell. Due to the low volume of available survey data, credibility formulas were applied to smooth the results. For each age

group, national estimates were deemed to be fully credible. Within each age group, VISNs with less than 500 usable survey responses were smoothed toward the national estimate, based on the assessed credibility. It was necessary to use a fairly high credibility threshold for this analysis for several reasons. First, the response bands to the income question had a wide range (\$10,000). In addition, it was assumed that all survey respondents had one dependent. Finally, a high proportion of survey respondents either refused to answer or did not know the answer to the income question and this creates a potential for biased survey results.

For each VISN and age group (Under Age 60, Ages 60 to 69, and Ages 70 and Over), a credibility-adjusted proportion was developed that represents the estimated portion of P7 enrollees in that group who qualify for GMT P7. These proportions were used to split the enrollment projections for P7 enrollees into GMT P7 and GMT P8 enrollees.

Suspension of Future Priority Level 8 Enrollment

In addition to the standard Enrollment projections, a second projection was performed for all P7 veterans. This set of projections established enrollment rates for all P7 veterans equal to zero starting in February 2003, and reduced the predicted enrollment for P7 veterans in January 2003 by a factor of 17/31. This alternate projection models the effect of suspending enrollment for all P7 veterans as of January 17, 2003. The resulting enrollment projections were used in conjunction with the GMT proportions developed using the methodology described above to create GMT P8 enrollment projections that reflect the FY03 Enrollment Decision.

The original projections of P7 enrollees (no enrollment suspension), described in Section II, will be referred to as Full P7 and the second set of projections of P7 enrollees (with an enrollment suspension date of January 17, 2003) will be referred to as Stop P7 for purposes of this paragraph. The proportions of GMT P7 enrollees, described above, were applied to the Full P7 projected enrollees to estimate future GMT P7 enrollees. The proportions of GMT P8 enrollees, described above, were applied to the Stop P7 projected enrollees to estimate future GMT P8 enrollees (with an enrollment suspension date as of January 17, 2003). These GMT P7 and GMT P8 enrollment projections were then combined with the Priority Levels 1a through 6 enrollment projections developed in Section II and incorporated into the CARES utilization and expenditure model as described in the following sections.